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PROJECT NO. 47945

**PROCEEDING TO INVESTIGATE AND
ADDRESS THE EFFECTS OF TAX
CUTS AND JOBS ACT OF 2017 ON THE
RATES OF TEXAS INVESTOR-OWNED
UTILITY COMPANIES**

2018 FEB 15 PM 1:42
**PUBLIC UTILITY COMMISSION
OF TEXAS**

**AMENDED ORDER
RELATED TO CHANGES IN FEDERAL INCOME TAX RATES**

After further consideration of the issues related to changes in the federal income tax rates, the Commission has determined that the Order entered on January 25, 2018 should be amended. Therefore, the Commission amends the previous order by deleting references to carrying changes on the balance of excess accumulated deferred federal income taxes (ADFIT).

This Order addresses the change in the federal income tax rates on electric, telecommunications, and water and sewer investor-owned utilities in the State of Texas. Late last year, an act was passed that, in part, amends the Internal Revenue Code¹ by, among other things, reducing the federal income tax rate to be imposed on C corporations from 35% to 21%, effective January 1, 2018, as well as reducing the federal income tax rate on certain other entities.²

Through this Order, the Commission takes the first steps to reflect this lower tax rate in the utility bills of Texas customers. The Commission directs the Commission Staff to review each investor-owned utility in Texas, with input from interested stakeholders, on a case-by-case basis to determine the appropriate mechanism to adjust its rates to reflect the changes under the newly enacted federal tax law.

Until a rate change may be approved to adjust charges to Texas customers, the Commission issues this accounting order under its statutory authority to preserve any changes in the federal income tax expense charged by utilities until rates can be changed.³ The Commission requires

¹ Internal Revenue Code, 26 U.S.C.A. § 61 (West 2011 and Supp. 2014).

² Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, Pub. L. No. 115-97, 113 Stat. 2054 (Dec. 22, 2017).

³ Public Utility Regulatory Act, Tex. Util. Code Ann. § 14.151 (West 2016 & Supp. 2017); Tex. Water Code Ann. § 13.131(a) (West 2008 & Supp. 2017).

each electric, telecommunication, and class A water and sewer investor-owned utility, except as later stated in this Order, to record as a regulatory liability beginning on January 25, 2018, the following: (1) the difference between the revenues collected under existing rates and the revenues that would have been collected had the existing rates been set using the recently approved federal income tax rates; and, (2) the balance of ADFIT that now exists because of the decrease in the federal income tax rate from 35% to 21%.

The requirement in the Order to create a regulatory liability does not apply to Oncor Electric Delivery Company LLC, El Paso Electric Company, or Southwestern Electric Power Company, except as provided in this paragraph. These three utilities have previously been ordered by the Commission to establish a regulatory liability tracking the difference in the amount of federal income tax collected in current rates, and the amount of federal income tax calculated under the new federal income tax rates. Accordingly, these three utilities shall record the balance of excess ADFIT as a regulatory liability.

In addition, in reviewing the rates of water and sewer utilities, the Commission Staff should first focus on class A and the larger class B utilities. The Commission Staff should then take a sample of the class C and smaller class B utilities to determine the effect of the new tax law, and report the findings back to the Commission.

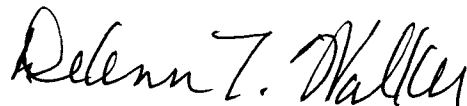
In accordance with the discussion in the Order, the Commission orders the following:

1. Each investor-owned electric, telecommunications, and class A water and sewer utility in the State of Texas, for which the Commission has jurisdiction, shall, starting the date this Order is signed, record as a regulatory liability the following: (1) the difference between the revenues collected under existing rates and the revenues that would have been collected had the existing rates been set using the recently approved federal income tax rates; and, (2) the balance of excess accumulated deferred federal income taxes (ADFIT) that now exists because of the decrease in the federal income tax rate from 35% to 21%.
2. The Commission Staff shall investigate each investor-owned utility in Texas, with input from interested stakeholders, on a case-by-case basis, as discussed in this Order, to determine the appropriate mechanism to adjust its rates to reflect the changes under the newly enacted federal tax law.

3. The Commission Staff shall report its findings regarding class C and smaller class B water and sewer utilities within six months of the signing of this Order.

Signed at Austin, Texas the 15th day of February 2018.

PUBLIC UTILITY COMMISSION OF TEXAS



DEANN T. WALKER, CHAIRMAN



BRANDY MARTY MARQUEZ, COMMISSIONER



ARTHUR C. D'ANDREA, COMMISSIONER